

Spending Limit Options



The state limits local government spending.

Given the state-imposed spending limit for FY 2007, the city will not be able to . . .

- Maintain the recent growth in services.
- Spend the revenues it already receives.



The state's spending limit was approved by the voters in 1980.

Established spending in FY 1980 as the base limit.

Allowed the limit to grow for inflation & population increases.

Certain funds are exempt from the limit.

- e.g., federal funds, bond funds, intergovernmental agreements



Communities can authorize a higher spending limit.

The legislature recognized that the state limit might not meet local needs & provided options for higher limits.

85% of AZ cities have made that choice.

- Not all costs track with inflation and population.
- Requires 2/3 vote of the governing body (or an initiative) & a majority popular vote.



There are two basic options to increase the spending limit.

1. Home Rule (a.k.a. Alternative Spending Limit)

- Allows a city to define its spending limit
 - most set limit equal to the adopted budget
- Option chosen by 55 Arizona cities
- Voters have an opportunity to reject after 4 years if not satisfied with the city's performance
- Can put to voters only at a general election
 - for Tucson this would be Nov 2005



There are two basic options to increase the spending limit.

2. Override (a.k.a. Permanent Base Adjustment)

- Permanently increases the 1980 base limit
- Option chosen by 20 Arizona cities
- Can be put to voters at either a general election or state election
 - for Tucson this would be either Nov 2005 or Nov 2006



**A higher spending limit
DOES NOT
authorize new taxes.**

**All state & local tax laws for existing and
new taxes continue to apply.**



Tucson voters last approved a limit increase in 1987.

Spending Limit

Voters approved an override (permanent base adjustment) of \$46.9 million.

- For Fire, Police, Parks, Transit, and Water

It was estimated to last 10 years, but has lasted almost 20 years.

- Operational efficiencies, use of technology
- Expenditure reductions in certain years
- Increased use of grants, IGAs, & COPs, which are exempted funding sources



The 1987 override allowed the city to improve services.

Since 1987, the city has . . .

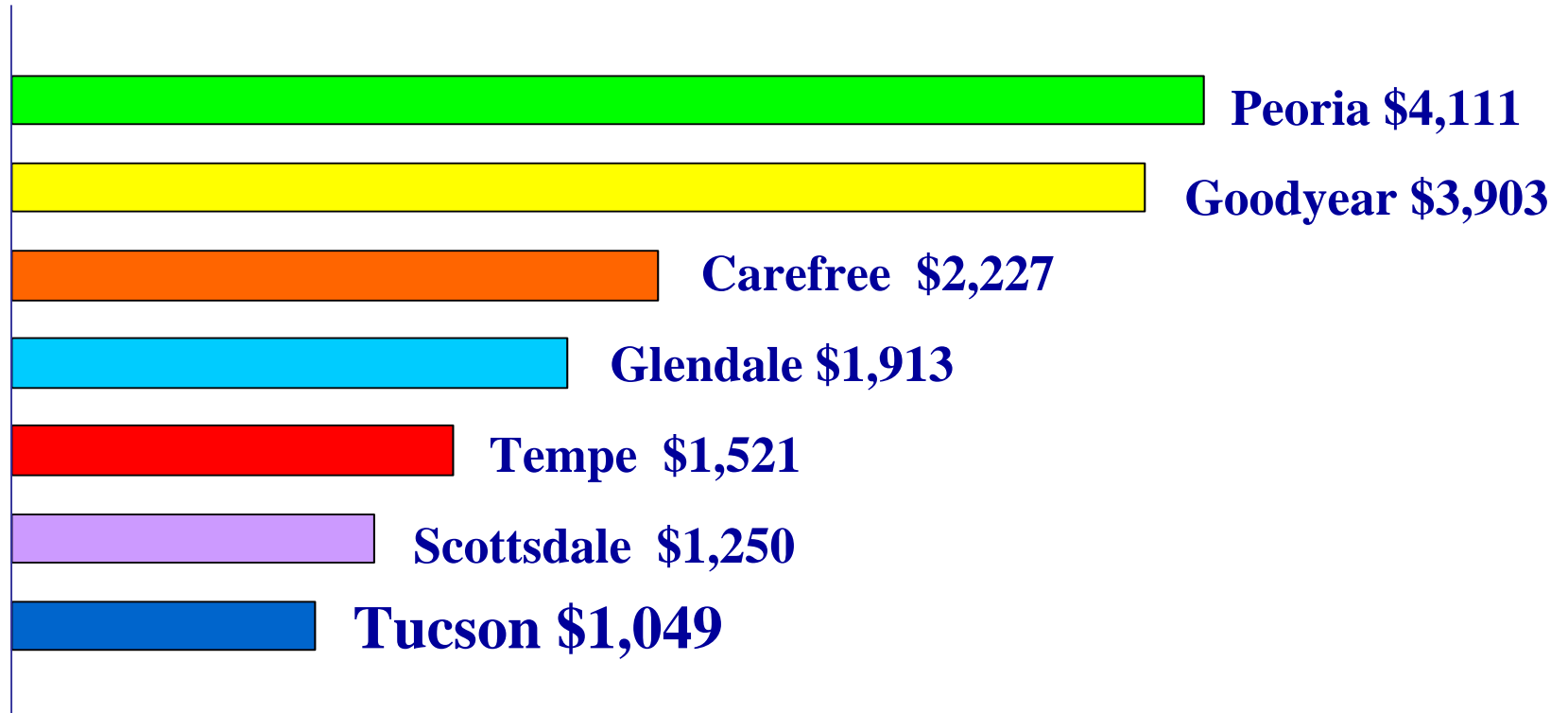
- Funded 314 police officers & 157 fire fighters.
- Opened 52 new parks & recreational facilities.
- Increased Sun Tran annual trips by 7.2 million.
- Reduced dependence on groundwater by recharging 60,000 acre-feet of Colorado River water annually.



Tucson's FY 2006 limit per capita is lower than many cities.

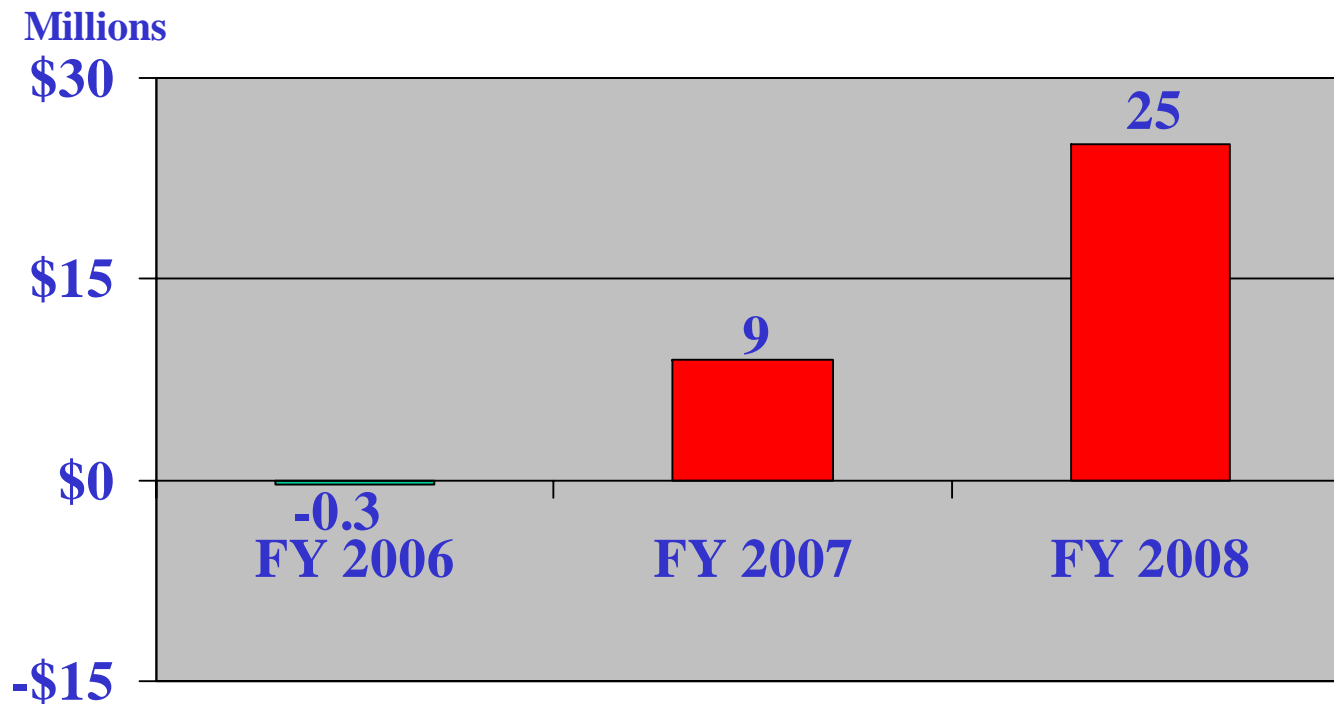
Comparison with other cities that have an override.

Spending Limit



In FY 2007, projected revenues will exceed the state's limit.

No tax increases are included in the revenue projections.



Spending Limit



What is driving the FY 2007 revenues to exceed the limit ?

Spending Limit

The city's spending limit is expected to increase by just 4%.

Revenues are expected to increase at a faster rate:

- 5% increase for city sales tax revenue
- 6% increase for state sales tax revenue
- 7% increase for state income tax revenue



How would the revenues be used if a higher spending limit was approved ?

- Staff and operate new facilities
- Maintain improvements to police and fire protection
- Continued expansion of Van Tran
- Capital investment in an assured water supply
- Other council approved budget expenditures



A higher limit is needed to maintain status quo services.

Without a higher limit, we cannot maintain the services added in FYs 2005 & 2006.

- Fewer police officers, reduced hours of operation
- No new police and fire stations

Without a higher limit, it will be difficult to use impact fee revenues to help pay for growth.

- Growth, which is inevitable, will continue to stress our roadway system and parks facilities.



A higher limit is necessary to achieve financial sustainability.

Financial sustainability requires developing long-range financial plans to cover future needs.

- Without a higher limit, we have limited means to develop plans to cover future needs.
 - Annual budgets will just be focused on cuts in services.
- Without a higher limit, we have no potential for service expansions, such as for public safety or street maintenance.



What will happen to the revenues if a higher limit isn't approved?

**Revenues over the spending limit
will sit idle,
while services to the public
will be frozen.**



Next Steps

Spending Limit

- Jun 14 • Request that M&C hold hearings to consider increasing the spending limit
- Jul 6 • 1st public hearing
- Aug 2 • 2nd public hearing
- M&C vote of approval/disapproval of spending limit option for the Nov 2005 ballot



In summary, increasing the state-imposed spending limit .

- has been approved by voters in 85% of Arizona cities.
- does not authorize any new taxes.
- is critical to maintaining growth in services.
- is a necessary step towards achieving financial sustainability.
- **will allow us to spend the revenues we receive.**

